

**WASHINGTON STATE
Workforce Training and
Education Coordinating Board**

SPECIAL BOARD MEETING AGENDA

Workforce Training and Education Coordinating Board
128-10th Ave SW
Olympia, WA 98504
October 13, 2005

Approximate Time

Tab

- | | | |
|------------|--|----------|
| 9:00 a.m. | Welcome/Introductions (Roll Call)
David Harrison, Chair | |
| 9:10 a.m. | Advice to the Governor re Skamania County's Petition to be Designated As part of the Tri-County Workforce Development Area (Action)
• Martin McCallum, Workforce Board | 1 |
| 9:30 a.m. | Review WTECB's Budget Requests for Supplemental Budget Request To Collect Health Care Workforce Supply Information (Action)
• Madeleine Thompson, Workforce Board | 2 |
| | Industry Skill Panels: Alliances of Business, Labor and Education (Information)
• Pam Lund, Workforce Board | |
| 9:50 a.m. | Review Request Bill to Amend Private Vocational Schools Act (Action)
• Peggy Rudolph and Madeleine Thompson, Workforce Board | 3 |
| 10:25 a.m. | Consider Agency Request Bill on Customized Training (Action)
• Wes Pruitt, Workforce Board | 4 |
| 11:00 a.m. | Adjourn | |

Goals for the Workforce Training and Education System

- To close the gap between the needs of employers for skilled workers and the supply of Washington residents prepared to meet that need.
- To enable workers to make smooth transitions so that they, and their employers, may fully benefit from the new, changing economy, by putting in place a coherent strategy for dislocated and incumbent worker training.
- To assist disadvantaged youth, persons with disabilities, new labor market entrants, recent immigrants, and other low-wage workers in moving up the job ladder during their lifetimes by developing a wage progression strategy for low-income workers. Specific progress will be made in improving operating agencies and reducing the earnings gap facing people of color, adults with disabilities, and women.
- To make the vision of WorkSource a reality so that workforce development programs are customer friendly, broadly accessible, and fully committed to Continuous Quality Improvement.

Key Dates

Workforce Strategies Conference October 24-26, 2005 <i>WestCoast Ridpath Hotel, Spokane</i>	June Board Meeting Wednesday, June 28, 2006 – Dinner Thursday, June 29, 2006 – Meeting <i>Tacoma</i>
November Board Meeting Wednesday, November 16, 2005 – Dinner Thursday, November 17, 2005 – Meeting <i>Vancouver</i>	August Board Retreat Thursday, August 3, 2006 – Retreat Friday, August 4, 2006 – Retreat <i>Olympia</i>
January Board Meeting Thursday, January 26, 2006 <i>Olympia</i>	September Board Meeting Wednesday, September 20, 2006 – Dinner Thursday, September 21, 2006 – Meeting <i>Spokane</i>
March Board Meeting Thursday, March 16, 2005 <i>Olympia</i>	November Board Meeting Wednesday, November 15, 2006 – Dinner Thursday, November 16, 2006 – Meeting <i>Seattle</i>
May Board Meeting Thursday, May 11, 2006 <i>Olympia</i>	

If you are a person with a disability and require an accommodation for attendance, please call the Workforce Board at (360)753-5677 as soon as possible to allow us sufficient time to make arrangements.

**WASHINGTON STATE
WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD
MEETING NO. 105
OCTOBER 13, 2005**

**REQUEST OF THE SKAMANIA COUNTY COMMISSIONERS
TO CHANGE SKAMANIA COUNTY'S
WORKFORCE DEVELOPMENT AREA DESIGNATION**

Section 116 of the Workforce Investment Act (WIA) directs the Governor to designate Workforce Development Areas (WDAs). The Governor's decisions are made:

1. in consultation with the state Workforce Training and Education Coordinating Board (Workforce Board),
2. after consultation with Chief Local Elected Officials,
3. and after consideration of comments received through a public comment process.

Former Governor Locke designated 12 WDAs in 2000. The local area designations took into consideration: 1) geographic areas served by secondary and postsecondary institutions, 2) the extent to which the proposed area is consistent with labor market areas, 3) the distance that individuals will need to travel to receive services within the proposed area, and 4) resources within the proposed area are available to effectively administer WIA Title I-B program services (WIA Sec.116(a)(1)(B)).

On June 14, 2005, the Skamania County Commissioners sent a letter to the Workforce Board requesting that Skamania County be a part of the WDA comprised of Kittitas, Klickitat, and Yakima Counties instead of its current status—with Cowlitz, Wahkiakum, and Clark Counties (see attached letter).

The Skamania County Commissioners' June 14, 2005 letter of appeal included a position paper (outlining arguments for a change in WDA alignment), letters of support, and petitions signed by over 450 Skamania County residents. The Workforce Board worked with the Skamania County Commissioners and Employment Security Department staff to arrange a date for a community meeting to learn more about the Commissioners' request and hear the views of community members.

A public hearing was held on October 3, 2005 in Stevenson, Washington. Ellen O'Brien Saunders served as the hearing officer. Ms. O'Brien Saunders introduced Board members Mike Hudson and Karen Lee, outlined the purpose of the meeting and relevant regulations, and asked Skamania County Commissioner Jim Richardson to recap the request. Approximately 75 residents of the city of Stevenson and river towns, such as Carson, attended; eighteen individuals offered testimony. Almost all Skamania County residents who spoke favored an alignment revision, that is, to have their county be included with Klickitat, Yakima and Kittitas Counties in a contiguous WDA citing service delivery, commuting distance, funding, and economic concerns.

Peggy Bryan, Executive Director of the Skamania County Economic Development Council testified pointing out that a growing number of emerging economic alliances in the Columbia Gorge are drawing Skamania County into new regional relationships with up-river counties on both sides of the state line since the Governor's designations in the late 1990's. Ms. Bryan noted examples such as the Columbia River Gorge Scenic River Bi-State Advisory Council, Columbia Gorge Technology Alliance, Columbia Gorge Wine Alliance, and the Mid Columbia and Columbia Gorge Economic Development Councils.

Following individual testimony, Commissioner Richardson thanked everyone for their attendance. In his concluding remarks, he petitioned the Workforce Board to change Skamania County's WDA designation. He explained that the Commissioners made their decisions based on community sentiment and noted that Skamania County sees itself much more geographically, culturally, and economically aligned with Klickitat than with Clark County.

Board Action Required: Adoption of the Recommended Motion.

RECOMMENDED MOTION

WHEREAS, The Governor, following Workforce Investment Act guidelines, designates Workforce Development Areas;

WHEREAS, It is the role of the Workforce Training and Education Coordinating Board to advise the Governor on Workforce Development Area designations;

WHEREAS, It is the role of Chief Local Elected Officials to consult on Workforce Development Area designations and to request changes to a designation;

WHEREAS, Advice to the Governor on Workforce Development Area designation should be informed by comments received through a public comment process;

WHEREAS, On June 14, 2005, the Skamania County Commissioners submitted a letter of appeal to the Workforce Training and Education Coordinating Board requesting that Skamania County be a part of the Workforce Development Area comprised of Kittitas, Klickitat, and Yakima Counties instead of its current status—with Cowlitz, Wahkiakum, and Clark Counties;

WHEREAS, A request to change Skamania County's WDA designation is the unanimous view of the Skamania County Commissioners; and

WHEREAS, There has emerged since 1998, regional economic alliances in the Columbia Gorge that are drawing Skamania County into new and growing economic relationships with Klickitat County;

THEREFORE, BE IT RESOLVED THAT, The Workforce Training and Education Coordinating Board recommends the Governor establish a Workforce Development Area made up of Skamania, Klickitat, Yakima, and Kittitas Counties and remove Skamania County from the Southwest Washington Workforce Development Area with an effective date of July 1, 2006, for this change.





**SKAMANIA COUNTY
BOARD OF COMMISSIONERS**

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Stevenson, Washington 98648

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PAUL J. PEARCE
District 1

JIM RICHARDSON
District 2

Al McKEE
District 3

EXECUTIVE OFFICE

JUN 17 2005

**WORKFORCE TRAINING AND
EDUCATION COORDINATING BOARD**

June 14, 2005

Ellen O'Brien Saunders, Executive Director
Washington State Workforce Board
PO Box 43105
Olympia, WA 98504-3105

Dear Director Ellen O'Brien Saunders,

This letter from the Skamania County Board of Commissioners is to request a change in our Workforce Development Area designation. Skamania County requests the change from Southwest Washington WDA to the Tri-County WDA.

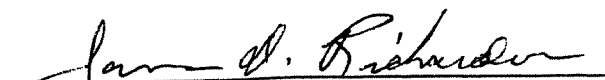
We understand that this procedure involves submitting a Position paper to the State Workforce Board explaining the request. This paper is enclosed with attachments. We also understand that this information will be reviewed, with a hearing to be set within 30 days. The Workforce Board will then submit a recommendation to Governor Gregoire.


Please note that at the same time, we are requesting a change in WorkSource affiliation from Commissioner Lee of Employment Security. We would like the affiliation of WorkSource Stevenson changed back to WorkSource Columbia Gorge. The Stevenson office is currently attached to WorkSource Vancouver Towne Plaza. Please see the attached letter to Commissioner Lee of Employment Security.

If there is more information that we need to provide, please contact us.

Sincerely,


Al McKee, Chairman, Skamania County Commissioner


Jim Richardson, Skamania County Commissioner


Paul Pearce, Skamania County Commissioner

Cc: Patrick Baldoz, Director, Tri-County Workforce Development Council
Lisa Nisenfeld, Director, Southwest Washington Workforce Development Council



**WASHINGTON STATE
WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD
SPECIAL MEETING NO. 105
OCTOBER 13, 2005**

REQUEST TO COLLECT HEALTH CARE WORKFORCE SUPPLY INFORMATION

Background:

In 2004, the Health Care Personnel Shortage Task Force (Task Force), hosted by the Workforce Training and Education Coordinating Board (Workforce Board), identified the collection of health care workforce supply information as a priority. Health workforce partners need supply information that consists of the number of licensed health personnel who are practicing, the hours they spend in direct care, their location, the type of facility they work at, and basic demographic data. With more complete information on supply, health workforce stakeholders could target state and local initiatives more accurately, and make the best use of scarce resources.

The collection of supply information is a key strategy in the Task Force's strategic plan, *Crisis or Opportunity?* and aligns with *High Skills, High Wages 2004: Washington's Strategic Plan for Workforce Development*, particularly strategy 1.1.2, "Provide high quality labor market information that enables programs to respond to changes in the labor market and informs students and customers about current career opportunities, especially in high-demand clusters such as health care and IT."

This request is the result of three years of work by the Workforce Board and the Department of Health (DOH) that responds to Goal 3 of the Task Force plan, "Develop a data collection and analysis system to assess health workforce supply and demand," and strategy 3.1.3, "Collect workforce supply information through methods such as surveys of licensed professionals." DOH and the Workforce Board, working collaboratively with health stakeholders, are the responsible entities for implementing this strategy.

In 2003-2004, the Workforce Board, in partnership with DOH, contracted with the Social and Economic Science Research Center (SESRC) at Washington State University to analyze the need for health workforce supply information. SESRC interviewed public and private entities, and examined databases and needs, to determine the types of data that are already collected and the gaps. SESRC recommended beginning with the health care practitioner licensing system for collecting information on health workforce supply. The Workforce Board and DOH further refined recommendations in the SESRC report and presented three options for collecting supply information to the Task Force. The Task Force adopted the third option that recommends surveying all licensed health care practitioners at one time, and on a regular basis. The operation and maintenance of this census every two years requires an initial state appropriation of \$236,000 in recognition of start-up costs, and this amount would decrease to \$195,000 per biennium for operation and maintenance.

Workforce Board staff recommend including the budget request as part of the agency's legislative package for 2006.

Board Action Requested: Adoption of the recommended motion.

RECOMMENDED MOTION

WHEREAS, the Workforce Training and Education Coordinating Board convenes the Health Care Personnel Shortage Task Force that has identified the collection of health care workforce supply information as a priority;

WHEREAS, Goal 3 of *Crisis or Opportunity?*, the state plan for addressing health care personnel shortages, recommends developing a data collection and analysis system to assess health workforce supply and demand, and collecting workforce supply information is a priority strategy;

WHEREAS, The Health Care Personnel Shortage Task Force goals and strategies are consistent with the Workforce Training and Education Coordinating Board's strategic plan for workforce development, *High Skills, High Wages*;

WHEREAS, More complete supply information will enable state and local partners to target scarce resources where they are most needed;

NOW THEREFORE BE IT RESOLVED THAT the Workforce Training and Education Coordinating Board hereby approves the submittal of a 2005-2007 supplemental budget request to collect supply information on licensed health care personnel.

State of Washington
Decision Package

DRAFT 10/5/05

Agency: 354 Work Force Train & Educ Coord Board

Decision Package Code/Title: AA Supply of Washington's Licensed Health Care Personnel

Budget Period: 2005-2007, Supplemental

Budget Level: PL - Performance Level

Recommendation Summary Text:

This is a request for \$236,000 in General Fund State to collect supply information on all licensed health care professionals every two years.

Fiscal Detail

Operating Expenditures	FY 2006	FY 2007	Total
001-1 General Fund – Basic Account-State	N/A	\$236,000	\$236,000
Total Cost	0	\$236,000	\$236,000

Package Description:

Overview

The Workforce Training and Education Coordinating Board (Workforce Board) convenes the Health Care Personnel Shortage Task Force (Task Force) that comprises of 20 of the state's health care leaders from business, labor, education, professional associations, community organizations, and government. In 2002, the Task Force developed a state plan for eliminating shortages, *Crisis or Opportunity?*, that outlines 6 goals, 40 strategies and 16 outcome measures to track progress. Task Force goals relate to education, recruitment, retention, local initiatives, workforce information, and accountability. State legislation directs the Workforce Board to continue convening stakeholders to monitor progress on the plan.

Goal Three of *Crisis or Opportunity?* calls for the development of "a data collection and analysis system to assess health workforce supply and demand" and a key strategy is to "collect workforce supply information through methods such as surveys of licensed professional." In response, the Workforce Board, in partnership with the Department of Health (DOH), convened stakeholders, examined data collection and needs, identified gaps, and investigated alternatives. The Task Force recommends the state collect supply data for all licensed health care personnel regularly in order to address health workforce issues with the greatest effectiveness. This supply information is needed across a variety of state purposes, including emergency preparedness.

This request responds to the Governor's priorities particularly related to health care and public safety, and also related to economic vitality and education.

Narrative Justification and Impact Statement:

If we know about the shortages, why do we need supply data so urgently?

Health care personnel shortages in Washington remain severe, and projections show they will become more severe through 2020 due to the aging population who will need more services, and due to the increasing numbers of health care personnel who will retire. In May 2005, job vacancies for health care personnel in Washington reached almost 9,000. The health care industry, once again, topped all industries, representing 18 percent of all vacancies in the state. Hospitals continue to report great difficulty recruiting a wide range of health care personnel. Efforts are under

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Agency:

354 Work Force Train & Educ Coord Board

Decision Package Code/Title: **AA Supply of Washington's Licensed Health Care Personnel**

way to increase the numbers of students who are prepared to work in health care but a lack of important supply information hampers our efforts to address health workforce issues.

Currently the state cannot answer important information about health care practitioners. The state does not collect information on age, geographical place of work, type of facility, racial and ethnic background, and hours in direct care. When students graduate the state does not have information to determine whether they remain to practice in our state, and who has come to practice here from other states. This information, last collected in 1997, is becoming increasingly out-of-date.

The federal government releases Washington State health care workforce data from two sources: the Census and the Bureau of Labor Statistics (BLS). The Health Resources and Services Administration relies on these two sources. The usefulness of this data is limited. The Census is conducted every 10 years and does not give the state and other partners ability to respond to changes in the workforce. The federal data is also missing key components that influence workforce planning such as geographical information and hours in direct care. The BLS data relies on very broad categories for health care personnel that do not match with state licensure categories. These are just a few of the limitations.

What would we do differently with more complete supply information?

With more complete supply information state and local health care workforce partners and health care agencies would be able to target initiatives to increase supply more accurately, and make the best use of scarce resources. We are expanding capacity in some educational programs to meet demand for personnel, but we do not know if we are concentrating in the most needy geographical areas. Also, knowing how many licensed practitioners actually practice, how many hours they work, and whether they leave the state or migrate to the state, gives us a better understanding of how many more graduates we need in each occupation.

In some cases there may be other solutions in addition to, or as an alternative to, expanding education program capacity. For example, one geographical area might report high vacancy rates for dental hygienists, but supply information shows there are adequate numbers of qualified individuals in that area. In this case examining turnover and emphasizing retention strategies would be preferable to increasing the number of individuals receiving educational preparation. In another area where there may be high incidence of diabetes among Native Americans, we could determine whether there were sufficient Native American health care personnel to serve that population, and for which health care occupations we should recruit Native American practitioners; research tells us that health outcomes improve when the health workforce is as diverse as the population served.

These are just a few examples of how this information would serve to increase the effectiveness of our strategies. Understanding a problem means understanding all the barriers, and only then can the state, education partners, employers, and others craft the most effective solutions. Understanding supply will help us to address current shortages and plan in advance to avoid an oversupply.

Public and Private Stakeholders Need the Data

This data is not only needed for the purposes of the Task Force; a variety of public and private stakeholders depend on health care workforce supply information. The Workforce Board, working with the DOH, contracted with Social and Economic Science Research Center (SESRC) at Washington State University to do an analysis of the main data elements that are required for workforce planning and to meet other essential purposes for the state (e.g. emergency preparedness). Advisory groups from various state agencies and professional associations provided input which suggested the logical starting point for collecting the data is with DOH's licensees.

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Decision Package Code/Title: AA Supply of Washington's Licensed Health Care Personnel

The data elements identified in the SESRC report as essential and common across a variety of state purposes, particularly for health workforce planning are:

1. Specialty
2. Age
3. Race/Ethnicity
4. Extent of Practice
5. Practice statistics, such as indication of time spent in direct care
6. Work zip codes
7. Longevity and migration
8. Facility type, such as a hospital, private laboratory or clinic

Following the presentation of the SESRC report at the Task Force's April 2004 meeting, staff from DOH and the Workforce Board were asked to work together to present a specific proposal for assessing the supply of health care practitioners in the state. Task Force members expressed an urgent need for data to guide workforce planning and policy recommendations.

The Joint Select Committee on Health Disparities joins in recommending that we need to collect this information. The Health Scholarship and Loan Repayment Program also supports the proposal, as their criteria relies on determining 'medically underserved areas'. Collecting and making available information about the health care workforce is listed as one of the Washington Public Health Standards, "Helping People Get the Services They Need." The Washington State Hospital Association, the Washington State Medical Association, and the Board of the Washington Center for Nursing (comprising the major professional and labor nursing organizations) also support the collection of supply information. We could begin piecemeal collecting information on one profession, but we run the risk of missing areas and issues that need attention. To create effective solutions we need to understand the supply across the health professions.

Options Considered for Collecting Supply Data

DOH and Workforce Board staff worked together to analyze options for collecting data on the supply of health care personnel in Washington. The agencies examined three options for surveys that would be issued to health care professionals. Two options included a survey in the envelope that DOH issues year round with licensing renewals. A third option was a separate survey sent separately on a single date.

Survey A: Renewal Survey – All

Description: Include a blank scanable survey and return envelope with every health profession license renewal notice. The survey is the same for each respondent and is returned with payment, separated and scanned. A follow-up survey would occur on a cycle.

Survey B: Renewal Survey - Selected

Description: Include a blank scanable survey and return envelope with selected health profession license renewal notices. The survey is unique to different health professions. The survey is returned with payment, separated and scanned. A follow-up survey would occur on a cycle.

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Decision Package Code/Title: AA Supply of Washington's Licensed Health Care Personnel

Survey C: Independent Survey - All

Description: A partially completed scanable survey to all health professionals that can be folded to return without an envelope with return postage paid. Responses are sent directly to the scanning process team and a follow-up is sent to non-responders.

Workforce Board and DOH staff recommend pursuing Option C for the following reasons:

- Option C enables data to be collected at one time. This means that measurements are captured at the same point in time and provide for consistency in data analysis. This contrasts with sending out surveys with licensing renewals because these occur at various times throughout the year.
- Option C makes a wide and effective publicity campaign possible to increase survey response. This contrasts with surveys sent out with licensing renewals where publicity would have to occur continuously and would therefore be less unique, visible, and effective.
- Option C simplifies the process of obtaining information. The licensing renewal process is quite complex, and many attachments are sent with renewals. Given mail insert problems with the existing process, DOH is currently working to streamline and eliminate inserts with renewals.
- Option C is more cost effective as it offers decreased printing and distribution costs as well as personnel overhead.

Analysis and Distribution of Information Collected

Via an interagency contract, DOH will distribute the collected information via the maintenance of a database that captures all essential data elements (specialty, age, race/ethnicity, extent of practice, practice statistics, work zip codes, longevity and migration, and facility type) and making the data available for public use on DOH's web site. Generating reports and analyzing the information will be the responsibility of the organizations or individuals accessing the information.

Budget Request

To make this proposal a reality it will be necessary for a state appropriation. DOH and the Workforce Board request an appropriation of \$236,000 in the 2005-2007 supplemental budget. This accounts for start-up costs. In the second biennium we request a state appropriation of \$195,000. Further information on how the agencies determined these amounts is available if needed.

Performance Measure Detail

Activity: A005

Customer Involvement In Policy and Program Development

Incremental Changes

No measures submitted for package

Reason for change:

As identified in the narrative, the state needs health workforce supply data to address health workforce issues effectively.

Impact on clients and services:

None.

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Agency: 354 Work Force Train & Educ Coord Board

Decision Package Code/Title: AA Supply of Washington's Licensed Health Care Personnel

Impact on other state programs:

None.

Relationship to capital budget:

None.

Required changes to existing RCW, WAC, contract, or plan:

None.

Alternatives explored by agency:

None.

Budget impacts in future biennia:

We are requesting \$236,000 for the 2005-2007, supplemental budget, and this amount reflects start-up costs. For the 2009-2011 biennium the cost would decrease to \$195,000, and future biennia.

Distinction between one-time and ongoing costs:

On-going, with a survey conducted every two years, and data updated every two years.

Effects of non-funding:

Non-funding would mean the state continues to rely on information that is out-of-date. There is a risk that strategies to address health workforce issues will be ineffective or result in diminished effectiveness.

Expenditure Calculations and Assumptions:

As identified in the narrative, the \$236,000 would fund the collection of health care supply information via a survey of all licensed health care personnel every two years. This would include the collection of the data and the maintenance of the data on an accessible website with strict adherence to the rules to preserving the privacy of contact and identifying information of licensed health care personnel. The initial request accounts for start-up costs. Future biennial costs would be \$195,000.

The scope of the survey collection and maintenance entails:

- Method of data collection from health care practitioners
- Ability to track non-respondents
- Design, development, and implementation of an interface for data reduction and incorporation into the database
- Maintenance interface design, development, and implementation
- Business administrator interface development
- Development of a data repository for use by other agencies, private health partners, and the public
- Development of a comprehensive disclaimer to cover use of the data by third parties (the department does not verify or certify the voluntary information provided related to specialty)
- Full on-line data dictionary and entity relationship diagrams
- A design that will require minimal maintenance and be user friendly
- Flexible, parameter-driven reporting capabilities.

State of Washington
Decision Package

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Agency: 354 Work Force Train & Educ Coord Board

Decision Package Code/Title: AA Supply of Washington's Licensed Health Care
Personnel

<u>Object Detail</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
Operating Expenditures			
C Personal Service Contract	N/A	\$236,000	\$236,000
Total Cost	0	\$236,000	\$236,000

**WASHINGTON STATE
WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD
MEETING NO. 105
OCTOBER 13, 2005**

SKILL PANELS BUDGET REQUEST

At its September 2005 meeting, the Workforce Board adopted a resolution to submit a budget request to the Office of Financial Management in support of Industry Skill Panels. This request of \$1million in general funds monies from the 2005-2007 supplemental budget will sustain and expand the alliance of panels.

The existing skill panels support key goals in *High Skills, High Wages 2004: Washington's Strategic Plan for Workforce Development*. Forming new alliances of business, education and labor through skill panels and sustaining existing ones remains a top priority of the Board.

Beneath this face sheet is the State of Washington budget decision package to the Office of Financial Management.

Board Action Requested: None. For informational purposes only.



State of Washington
Decision Package

FINAL

Agency: **354 Work Force Train & Educ Coord Board**

Decision Package Code/Title: **AA Industry Skill Panels, Alliances of Business, Labor and Education**

Budget Period: **2006-07**

Budget Level: **PL - Performance Level**

Recommendation Summary Text:

This is a request for \$1 million in General Fund State for 8-10 Industry Skill Panels. These panels focus on existing and future skill shortages in industry clusters in Washington State. This request will accelerate expansion to more economic sectors and more areas of the state to harness the expertise of their alliances of employers, educators, and labor to identify skill gaps and provide solutions to address changing workforce needs quickly and competently.

Fiscal Detail

Operating Expenditures	<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
001-1 General Fund - Basic Account-State		1,000,000	1,000,000
Total Cost		1,000,000	1,000,000

Package Description:

**Washington's Industry Skill Panels:
Alliances of Business, Labor, and Education**

Industry Skill Panels are a vital tool to ensure the state does an excellent job in preparing workers for the 250,000 or more job openings that is the Governor's goal for economic development.

Industry Skill Panels, regional alliances of business, labor and education leaders, harness the expertise of their members; they identify skill gaps in key economic clusters' foster innovation and enable industries and public partners to be proactive. They address changing workforce needs quickly and competently to attract and retain a skilled workforce. In 2005, approximately 400 businesses ranging from small to large companies in rural to urban areas across Eastern and Western Washington have satisfied many of their workforce needs through an Industry Skill Panel, and *continue to be committed* to these alliances. These constituents see panels as the prime locally driven initiative in place to quickly address immediate workforce needs, and to solve long-term workforce issues.

"We have often heard that the three ingredients to business success is location, location, location. Washington State has the environment to make it a great business address. Yet, going forward, our state's success in economic development will be most influenced by a different set of ingredients: talent, talent, talent....Skill panels are the best workforce initiative that I have seen from the State. They are bringing the major collaborators to the table on industry's behalf, [and] preparing residents for higher paying jobs in growth clusters."

-Rich Hadley, President and Chief Executive Officer, Spokane Regional Chamber of Commerce letter of support to the Washington State Office of Financial Management, February 2005

The 2000 Legislature made an initial investment of \$600,000 in Industry Skill Panels to pilot an industry cluster strategy proposed by Governor Locke. Michael Porter of the Harvard Business School defines clusters as "geographic concentration[s] of interconnected companies, specialized suppliers, service providers, firms in related industries, and association institutions (for example, universities, standards agencies, and trade associations) in particular fields that compete but also cooperate."¹ The National Governors Association report, "A Governor's Guide to Cluster-Based Economic Development" says, "the most obvious reason states should think about and

¹ Porter, Michael E. *On Competition*. Boston: Harvard Business School Press, 1998.

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act on industry clusters is businesses do.” The same report identifies human capital [workforce] as the single most important resource of any cluster in today’s economy.²

Industry Skill Panels make this vital link between economic and workforce development. Businesses within a targeted industry cluster identify their common workforce needs and work with organizations such as a workforce development councils, community and technical colleges, private career schools, chambers of commerce, or business associations to establish an Industry Skill Panel. The geographic area a panel serves is determined by where industry clusters reside; when these alliances are formed, they often reach beyond a traditional service area to include small companies supplying value to larger corporations. In this way, common and interrelated workforce needs can be met. Some of these businesses may be geographically nearby, and some may be as spread out over many counties such as Eastern Washington or the Olympic Peninsula.

Over the past four years, these alliances have leveraged nearly \$8 million dollars in private sector investments, producing tremendous results. Governor Gregoire recognized how these Industry Skill Panels impact workforce priorities by earmarking \$670,000 from PY 2005 Workforce Investment Act (WIA) discretionary funds. This investment supported eight new and two expanded panels where the employers had significant needs – this, however, is a very limited number of Industry Skill Panels based on the documented needs identified by local regions over the last two years. This year alone, 25 proposals competed for these limited resources to launch a skill panel on behalf of 16 industries targeted by the state as providing high skill, high wage jobs.

What does an Industry Skill Panel do?

“This [filling skill gaps] is too big an issue for us to tackle on our own...this will work because there is a real synergy to working together.”

-Dan Absher, owner of Absher Construction, “Paving the way for new workers,” by Marcelene Edwards, Tacoma News Tribune, February 2005

Industry Skill Panels encourage companies normally in competition with each other to solve shared human resource problems. They identify and prioritize workforce needs in order to make impacts benefiting many employers across their industry. Then, the panel members produce or update curricula, specific courses, or complete training programs in order to shorten the time it takes to move a student into the workforce, or upgrade incumbent skills, and improve the overall quality of knowledge and abilities.

They also develop training or related products and activities, such as: career guidance materials, vocational English-as-a-Second-Language courses, and technical assessments and certifications; pre-apprenticeship and K-12 career fairs, programs, and articulation agreements; mentoring, tutoring, and intern/externships; clinical coordination; and industry conferences disseminating best practices and lean principles. The products and services of particular skill panels depend upon the needs of the cluster.

A typical skill panel includes 15-20 business representatives in a particular industry, from small- to mid-sized companies to corporations, such as The Boeing Company, The J.R. Simplot Company, Providence Hospitals, Stevens Hospital, Group Health Cooperative, Absher Construction, Kenworth Trucking Company, Nintendo, and Microsoft. Employment at the companies that participate on panels range from fewer than 50 employees, to well over 20,000 workers. Panel representatives are decision-makers within their companies such as Chief Executive Officers, Chief Financial Officers, Human Resource Directors, Plant Managers, or Supervisors.

One of the many great examples of skill panel collaboration happened in 2003 in Pierce County. MultiCare Health Systems Incorporated was looking for immediate ways to upgrade the skills of their current workers, particularly their Health Unit Coordinators. These workers act as a “hub” for doctors and nurses on a unit’s floor – they collect and update critical patient files, and their ability to quickly provide information impacts both urgent and long-term care. MultiCare wanted training to occur on the job, so workers could apply learning right at the worksite and the critical service they provide wouldn’t be lacking.

² Rosenfeld, Stuart. “A Governor’s Guide to Cluster-Based Economic Development.” National Governor’s Association, 2002.

Agency:

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Through the leadership of the Tacoma-Pierce Health Care Skill Panel, MultiCare and Service Employees Union International established the first registered health care apprenticeship in the nation.³ The apprenticeship works well for MultiCare and other hospitals because their workforce is improving skills and earning a good wage while staffing capacity is met. Their success led to other registered health care apprenticeships, including radiologic technologist, computed tomography, and magnetic imaging resonance. There are even employers such as Sun Health Care systems in Moses Lake establishing assisted living aide apprenticeships, creating real wage progression opportunities that boost retention and recruitment.

"Many positions in healthcare are hard to fill and we can operate more efficiently, provide better patient care and have happier employees by keeping people here and adding to their skill sets through workforce training."

-Bob Lowy, vice president of Human Resources for Stevens Hospital

Stevens Hospital Press Release on accepting the Senator Patty Murray Award for Workforce Training for their participation with the Snohomish Health Care Skill Panel for tuition assistance to Nurses and Certified Radiologic Technologists, July 2004

How do we know Industry Skill Panels work?

We know the alliances formed through skill panels are working by the numbers of businesses continuing to participate in panels. Why? Because they have become more confident that benefits from working within public private partnerships far exceeded their expectations and they are encouraging their colleagues to get involved. They also write checks to make their dollar go farther as a partner creating outcomes that meet real-time industry needs, and input from multiple partners ensuring wide use, saving time and money.

The industry is also a part of improving the types and quality of training-related products, projects, and services that give them better resources to keep and promote existing employees, find higher skilled workers when job openings are available, and know that the public workforce and economic development system can respond if they want to expand or grow in our state.

The era when industry competitors could find and keep skilled employees without external workforce resources is long gone. Industry Skill Panels harness the new cooperative spirit driving workforce decisions. Companies are facing similar demographic and productivity issues, such as an aging workforce, the inability to find qualified workers, and the frustration of trying to attract youth to jobs in their industries. Together, businesses can exert influence with public workforce partners, such as educators, training providers and labor. In turn, these groups benefit because they produce people with skills that can lead to satisfying careers and wages.

"Business and schools existed in ivory towers. Business would say, "educators don't meet my needs" and educators would say, "business won't help us." It wasn't until the efforts of the Workforce Board and the local Workforce Development Councils brought parties together to sort through their differences and find ways to address both sides of system constraint (real-time need, institutional ability to respond quickly) that business needs began to be met."

-Jody Smith, Human Resources Director, MultiCare Health Systems, KUOW Radio, August 20, 2004.

The community colleges are increasingly responding to employer needs as a training provider. Higher quality, flexible workforce education and training (such as modular courseware, weekend and evening classes), and distance learning programs have emerged from the alliances influence. Prior to Industry Skill Panels, it was difficult for training providers to know what was needed to meet the skill needs of industry. Panels enable community colleges and workforce development councils to change their relationship with businesses and key sectors of its economy in positive ways. Through skill panels, local workforce development councils and the community colleges demonstrate their strategic leadership.

Shoreline Community College, near Seattle, received one of the first skill panel grants. A Center of Manufacturing Excellence was one result. Mark Hankins is the college's director of business service. "Vocational training at the

³ *Progress 2003: A Report of the Health Care Personnel Shortage Task Force*. Workforce Board, December 2003. Appendix C, page 12.

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college used to mean training machinists for Boeing Co.," he says... The employers did not want workers interested only in repetitive work – jobs likely to be exported – but those who can gather and interpret information, understand technology, and work as a member of a team. The Center now awards a Certificate in Basic Manufacturing, but Hankins says that's just a start. "We're completely revising our curriculum."

–"Building workers' skills key to labor market," by Bert Caldwell Spokesman Review, February 2005

Expanding Industry Skill Panel Success

Over five years, Industry Skill Panels have changed the way employers, labor, and education work together to improve immediate and long-term workforce issues. These alliances are powerful, and continue to gain attention for their accomplishments.

Despite this, there are still targeted industry clusters in Washington wanting to launch specific Industry Skills Panels important to their local economy. Enough funds have not been available to meet the need. This does influence employer satisfaction with the workforce development system. Every other year, the Workforce Board, with the assistance of the Association of Washington Business, conducts an employer survey to identify employers' workforce needs and practices, and their satisfaction with workforce programs. The summary of these results is reported in *Washington State Employers' Workforce Training Needs and Practices*. Extrapolating from the 2004 survey results, an estimated 55,980 Washington employers – about one in every four – had difficulty finding qualified job applicants during the past year. This astounding figure has a direct impact on our economy.

The Workforce Board is requesting \$1 million General Fund-State for 2007 for 8-10 Industry Skill Panels. Results from this investment will include:

- ✓ **More companies will actively participate in the development of a skilled workforce and will ultimately be able to access and retain skilled workers.** The top reason businesses relocate or stay in a particular region is access to a skilled workforce. When industry representatives collectively advise, design, and leverage resources to help workforce partners build a training system responsive to industry needs, everyone wins.
- ✓ **Industry Skill Panels can reveal what kinds of jobs are emerging in an industry.** This is a critical link between workforce and the global economy. Tracking and responding to emerging workforce trends, practices, and training needs help keep our diverse economic base competitive nationally, and in the world market.
- ✓ **A private sector more confident in the responsiveness of the public sector:**
 - Company investments are made to leverage public sector funding.
 - Companies see a return on investment through increased company productivity.
 - Long-term relationships can be built; creating economic benefit that extends into the future.
- ✓ **More skilled workers that can be hired and promoted to better jobs in Washington's companies.**

Narrative Justification and Impact Statement

How contributes to strategic plan:

Industry Skill Panels influence all local and state stakeholders in workforce and economic development and have a direct impact on preparing workers to fill 250,000 or more jobs. They contribute to high level results through shared information that improves business and worker performance. Their work tells us "how we are doing" and saves time and money for both the state and businesses. They also support the Priorities of Government Results Area of improving the quality and productivity of the workforce - Increase linkages to employers. This effort intensifies the continuation and expansion of cross-agency work identified and expected in the Priorities of Government and Government Management Accountability and Performance (GMAP). They also support key goals in High Skills, High Wages 2004: Washington's Strategic Plan for Workforce Development and goals, objectives, and strategies contained in the agency's strategic plan.

Performance Measure Detail

State of Washington
Decision Package

FINAL

Agency: **354 Work Force Train & Educ Coord Board**

Decision Package Code/Title: **AA Industry Skill Panels, Alliances of Business, Labor and Education**

Activity: **A005 Customer Involvement In Policy and Program Development**

Incremental Changes

No measures submitted for package

Reason for change:

As identified in the narrative, additional support is needed to accelerate expansion to more economic clusters and more areas of the state.

Impact on clients and services:

An estimated 200 - 300 additional businesses would directly benefit from this request. Those businesses are comprised of small, mid and large business representing thousands of employers in key sectors of our economy who provide jobs to Washington's citizens. By serving more industry clusters through alliances of business, education, and labor, Washington would move closer to closing skill gaps, thus improving our economy.

Impact on other state programs:

The Industry Skill Panel alliances are catalysts that provide training solutions and tools to guide the local community colleges, the local workforce development councils, and their WorkSource affiliates to increase employer and job seeker satisfaction with the workforce services in the state.

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

None

Alternatives explored by agency:

None

Budget impacts in future biennia:

On-going, with a report on effectiveness during the 2007-2009 biennium.

Distinction between one-time and ongoing costs:

On-going, with a report on effectiveness during the 2007-2009 biennium.

Effects of non-funding:

Non-funding makes the state economically less competitive to keep and grow existing business and attract new business. Skilled jobs may go unfilled due to not enough workers who hold those skills. Citizens who get jobs may not keep them due to lack of skills needed due to the rapid changes in skill requirements, or citizens who have existing jobs may be laid off because companies cannot retain new workers who do not possess those same skills.

Calculations and Assumptions:

As identified in the narrative, the \$1 million request would fund an estimated [REDACTED] Industry Skill Panels.

State of Washington
Decision Package

FINAL

Agency: 354 Work Force Train & Educ Coord Board

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<u>Object Detail</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
C Personal Service Contracts		1,000,000	1,000,000

Industry Skill Panels in the News

"Providing opportunity for careers in healthcare addresses the needs of the industry, the workers, and the community. I can't think of a better win-win solution than the work we are doing."

Jody Smith, Director of Human Resources for MultiCare Health System

Tacoma News Tribune special circular on the Tacoma-Pierce County Health Care Skill Panel "Finding Solutions to the Healthcare Worker Shortage," October 2003

"Many positions in healthcare are hard to fill and we can operate more efficiently, provide better patient care and have happier employees by keeping people here and adding to their skill sets through workforce training."

Bob Lowy, Vice President of Human Resources for Stevens Hospital

Stevens Hospital Press Release on accepting the Senator Patty Murray Award for Workforce Training for their participation with the Snohomish Health Care Skill Panel for tuition assistance to Nurses and Certified Radiologic Technologists, July 2004

"Carpentry is cool," Alana Stinson said. You probably never thought you would hear a 15 year old girl say that...She was one of 50 eighth grade girls from three Spokane middle schools attending a half-day seminar on careers in construction at the Apprenticeship and Journeyman Training Center in Spokane Valley on Thursday...Spokane Public Schools, Community College of Spokane, and the Construction Skills Panel lured the girls with the promise of "pizza, pop, and power tools."

Kevin Graman, "Middle school girls learn about construction careers," Spokesman Review, June 2005

"I applaud you and your organization's vision in facilitating these innovative partnerships between labor, industry and the education community. The healthcare apprenticeship program and the Pierce County Construction Partnership are model programs that we can only hope other sectors of the workforce and other regions will emulate."

Letter from the Honorable Adam Smith, United States Congress, 9th District, Washington, to Colin Conant, Executive Director of the Tacoma-Pierce County Workforce Development Council December 2004

"This [filling skill gaps] is too big an issue for us to tackle on our own...This will work because there is a real synergy to working together."

Dan Absher, owner of Absher Construction, "Paving the way for new workers," by Marcelene Edwards, Tacoma News Tribune, February 2005

"Another new tool is the 32 "Skill Panels" developed over the last three years. Covering everything from agriculture and food processing to manufacturing, energy, and even game software development, these industry-led panels bring together employers and educators. They identify the skills required for jobs and develop the training programs to insure that employees can master those skills."

Don Brunell, Association of Washington Business President "As Washington's Economy Recovers Employers Can't Find Qualified Workers," AWB website editorial, June 2004

"We have often heard that the three ingredients to business success is location, location, location. Washington State has the environment to make it a great business address. Yet, going forward, our state's success in economic development will be most influenced by a different set of ingredients: talent, talent, talent...Skill panels are the best workforce initiative that I have seen from the State. They are bringing the major collaborators to the table on industry's behalf, [and] preparing residents for higher paying jobs in growth clusters."

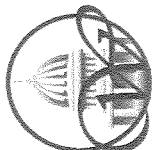
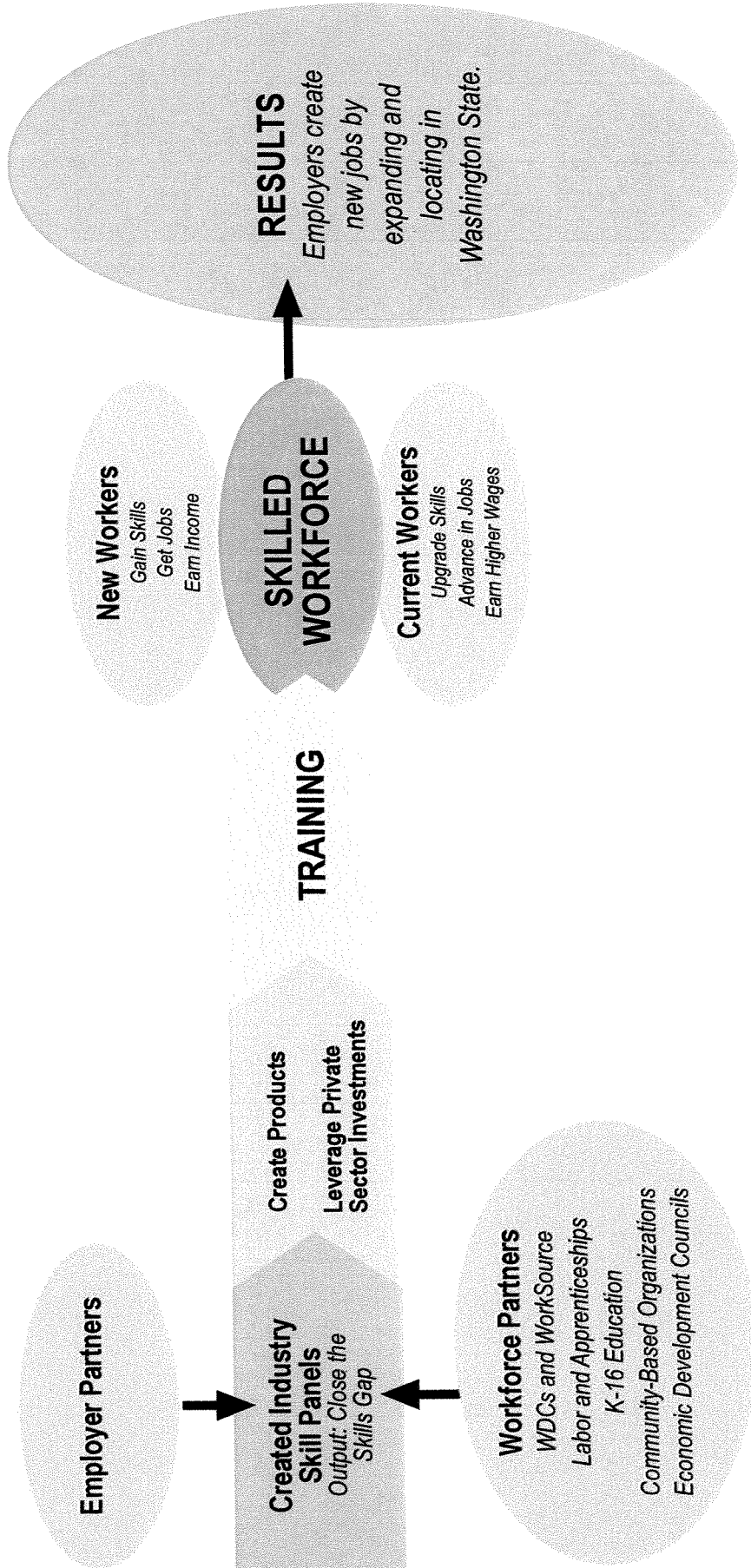
Rich Hadley, President and Chief Executive Officer, Spokane Regional Chamber of Commerce letter of support to the Washington State Office of Financial Management, February 2005





PANELS

Linking Workforce and Economic Development
Meeting Employer and Jobseeker Needs





**WASHINGTON STATE
WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD
SPECIAL MEETING NO. 105
OCTOBER 13, 2005**

**PRIVATE VOCATIONAL SCHOOLS ACT:
PROPOSED STATUTORY AMENDMENTS AND SUPPORTING BUDGET REQUEST**

Background:

The Private Vocational School Act, outlined in RCW 28C.10, assigns the Workforce Training and Education Coordinating Board (Workforce Board) authority to license private vocational schools (also known as private career schools) that wish to operate in the state. Recent abrupt closures of private vocational schools and effects on students drew attention to the need to create tighter accountability for these schools and additional student protections. To fulfill these objectives, Workforce Board staff recommends developing new tools to help prevent closures, providing more warning to students of possible closures, and providing reasonable protections for students in the event of a closure. These changes would not impose unreasonable burdens on private vocational schools. Staff also recommends pursuing measures to ensure that schools offer quality programs.

Statutory amendments proposed would:

1. Define how a private vocational school demonstrates that it is fiscally viable and able to fulfill its commitments to students.
Current state statute requires schools to demonstrate fiscal responsibility to be eligible for licensure but does not define how a school will demonstrate such a requirement.
2. Require that a private vocational school program meets minimum performance standards related to student outcomes in order to continue operating a program.
Current state statute sets out minimum requirements for licensure but does not include minimum performance standards related to student outcomes.
3. Require that a private vocational school demonstrates that the qualifications of administrators, instructional personnel, and counselors are adequate to insure students receive educational services consistent with stated program objectives.
Current state administrative code defines how a private vocational school demonstrates that qualifications of administrators, instructional personnel and counselors are adequate to insure students receive educational services that are consistent with stated program objectives. This provision would include these requirements in statute, and would add some requirements.
4. Create an early warning and intervention system for schools that are identified as "at risk" due to lack of fiscal viability and/or substantial, and frequent student complaints.
Current state law does not provide for an early warning and intervention system for "at risk" schools.

5. Provide the agency a process to place schools that are identified as “at risk” on probation, to be followed by suspension or revocation of license if the school does not improve.
Current state law does not outline a process for probation, suspension or revocation of licenses.
6. Provide transition services for students who are affected by closures. These services include providing information on transfer options, financial aid, and job search and placement.
While current law provides for payments from the tuition recovery trust fund, it does not provide for transition services for students.

The budget request for a state appropriation to enable the agency to meet provisions in amended statute and rules is for \$122,800. The request outlines the additional duties and costs for the agency as follows:

1. Make changes to the current Private Vocational School Act e-Licensing database to include fields for performance results and data compliance tracking, and to link the e-Licensing database to the Research Team’s data analysis database. This is a one-time contracted cost of \$5,000
2. Collect and process data reports from the licensed private career schools. This increases current costs by \$20,000 per year for contracted services.
3. Increase staff capacity by 1.0 FTE to assist with increased duties of oversight of private vocational schools, data collection, and maintenance.

In addition to this face sheet, this tab contains:

- A resolution
- A two-page document that fulfills the Office of Financial Management requirements for legislative packages
- Proposed draft legislation with Fiscal Note
- A budget request for implementing changes to private vocational school accountability and student protections

Board Action Requested: Adoption of the recommended motion.

RECOMMENDED MOTION

WHEREAS, State statute authorizes the Workforce Training and Education Coordinating Board to license private vocational schools in order to operate in the state;

WHEREAS, Recent abrupt closures of private vocational schools have harmed hundreds of students;

WHEREAS, The Workforce Training and Education Coordinating Board should develop tools to increase private vocational school accountability without imposing unreasonable burdens on private vocational schools. These tools should help prevent closures, provide more warning to students of possible closures, provide reasonable protections for students in the event of a closure, and pursue measures to ensure that schools offer quality programs;

WHEREAS, Implementing new accountability and student protection measures will require increased capacity in the Program Management and Research Teams;

NOW THEREFORE BE IT RESOLVED THAT the Workforce Training and Education Coordinating Board hereby approves the submittal of proposed legislation to the Governor for consideration for the 2006 Legislative session, and this proposed legislation would increase private vocational school accountability and increase student protections in the event of a closure;

BE IT FURTHER RESOLVED THAT the Workforce Training and Education Coordinating Board hereby approves the submittal of the 2005-2007 supplemental budget request to allow the agency to perform the duties necessary to comply with proposed legislation and rule changes.



**LEGISLATIVE PACKAGE –
WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD**

Agency Name: Workforce Training and Education Coordinating Board

Agency Contact and Phone Number: Madeleine Thompson, (360) 753-5653

Request Title: Private Vocational Schools Act

Z-Draft Number: Z-XXX.X/X

Statement of Need

Under current law, students attending private career schools in Washington may face undue burdens if their school or program closes. During the 2004-2005 school year abrupt closures harmed hundreds of students. Proposed amendments to statutes regulating private vocational schools and programs would provide new tools to help prevent closures, more warning to students of possible closures, and reasonable protections for students in the event of a closure, and do not impose unreasonable burdens on private vocational schools. The amendments also provide steps to help ensure that schools offer quality programs.

Summary of Major Provisions of Proposed Amendments

The proposed statutory amendments would:

1. Define how a private vocational school will demonstrate that it is fiscally viable and able to fulfill its commitments to students.
Impact on current state law: Current state statute requires schools to demonstrate fiscal responsibility to be eligible for licensure, but does not define how a school will demonstrate such a requirement.
2. Require that a private vocational school program meets minimum performance standards related to student success in order to continue operating a program.
Impact on current state law: Current state statute sets out minimum requirements for licensure but does not include minimum performance standards related to student success for each program.
3. Require that a private vocational school demonstrates that qualifications of administrators, instructional personnel, and counselors are adequate to insure students will receive educational services consistent with stated program objectives.
Impact on current state law: State administrative code defines how a private vocational school will demonstrate that qualifications of administrators, instructional personnel and counselors are adequate to insure students receive educational services that are consistent with stated program objectives. This provision would raise these requirements to statute, and add some requirements.

4. Create an early warning and intervention system for schools that are identified as "at risk" due to lack of fiscal viability and/or substantial, and frequent student complaints.
Impact on current state law: Current state law does not provide for an early warning and intervention system for "at risk" schools.
5. Provide the agency a process to place schools that are identified as "at risk" on probation, to be followed by suspension or revocation of license if the school does not improve.
Impact on current state law: Current state statute law does not outline a process for probation, suspension or revocation of licenses.
6. Provide transition services for students who are impacted by closures. These services include providing information on transfer options, financial aid, and job search and placement.
Impact on current state law: While current state law provides for a tuition recovery trust fund, it does not provide for transition services for students.

Agencies Affected:

No other agency is affected.

Stakeholders Affected:

<u>Stakeholder Organization</u>	<u>Position</u>	<u>Name</u>	<u>Phone</u>
Private Vocational School Advisory Committee (Advises the Workforce Board on relevant issues)	Support	Lynn Rullman	(360) 695-2500
Washington Federation for Private Career Schools	Support	Gena Wikstrom	(425) 443-9360

Summary of Stakeholder Position

The Washington Federation for Private Career Schools and the Private Vocational School Advisory Committee support the proposed changes in accountability because the new provisions and amendments will strengthen the operations of private vocational schools, improve public perception of career schools by demonstrating accountability of schools and programs, and assist students when there are unavoidable business closures.

Staff Contacts:

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Terry Ryan, Assistant Attorney General, Terry Ryan (360) 586-0727 terryr1@atg.wa.gov

Code Revisor Draft: See enclosed Z-XXXX

Fiscal Note: Enclosed is our agency's fiscal note.

Workforce Training and Education Coordinating Board
Agency Bill Request

Draft

AN ACT Relating to private vocational school programs; amending RCW 28C.10.020, RCW 28C.10.030, RCW 28C.10.050; RCW 28C.10.120; creating two new sections in RCW 28C.10; and declaring an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

Sec. 1. RCW 28C.10.020 is amended to read as follows:

Definitions.

Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Agency" means the ~~work force training and education coordinating board~~ Workforce Training and Education Coordinating Board.

(2) "Agent" means a person owning an interest in, employed by, or representing for remuneration a private vocational school within or without this state, who enrolls or personally attempts to secure the enrollment in a private vocational school of a resident of this state, offers to award educational credentials for remuneration on behalf of a private vocational school, or holds himself or herself out to residents of this state as representing a private vocational school for any of these purposes.

(3) "Degree" means any designation, appellation, letters, or words including, but not limited to, "associate," "bachelor," "master," "doctor," or "fellow" which signify or purport to signify satisfactory completion of an academic program of study beyond the secondary school level.

(4) "Education" includes but is not limited to, any class, course, or program of training, instruction, or study.

(5) "Educational credentials" means degrees, diplomas, certificates, transcripts, reports, or documents, ~~or letters of designation, marks, appellations, series of letters, numbers, or words which signify or appear to signify enrollment, attendance, progress,~~

~~or~~ satisfactory completion of the requirements or prerequisites for any educational program.

(6) "Entity" includes, but is not limited to, a person, company, firm, society, association, partnership, corporation, or trust.

(7) "Private vocational school" means any location where an entity is offering postsecondary education in any form or manner for the purpose of instructing, training, or preparing persons for any vocation or profession.

(8) "Probation" means the agency has officially notified a private vocational school that the school or a program has been identified as "at risk" and has deficiencies that must be corrected within a specified time.

(9) "Program" means a sequence of approved subjects offered by a school that teaches skills and fundamental knowledge required for employment in the stated occupation.

~~(8)~~ (10) "To grant" includes to award, issue, sell, confer, bestow, or give.

~~(9)~~ (11) "To offer" includes, in addition to its usual meanings, to advertise or publicize. "To offer" also means to solicit or encourage any person, directly or indirectly, to perform the act described.

~~(10)~~ (12) "To operate" means to establish, keep, or maintain any facility or location where, from, or through which education is offered or educational credentials are offered or granted to residents of this state, and includes contracting for the performance of any such act.

Sec. 3 RCW 28C.10.050 is amended to read as follows:

~~Minimum standards— Denial, revocation, or suspension of licenses.~~
Minimum requirements to obtain and maintain licensure - Denial, revocation, or suspension of licenses

(1) The agency shall adopt minimum requirements to assess whether a private vocational school is eligible to obtain and maintain a license to operate in the state. The agency may adopt by rule minimum requirements that include but are not limited to the following minimum requirements. A private vocational school shall:

~~(1) The agency shall adopt by rule minimum standards for entities operating private vocational schools. The minimum standards shall include, but not be limited to, requirements for each school to:~~

(a) Disclose to the agency information about its ownership and financial position. Financial disclosures provided to the agency shall not be subject to public disclosure under chapter 42.17 RCW;

(b) Demonstrate to the agency that the school is financially viable, responsible and able to demonstrate it has sufficient financial resources to fulfill its commitments to students. A private vocational school shall be considered financially responsible only if it:

- (i) Is able to provide the services described in its official publications and statements; and
- (ii) Is able to provide the administrative resources necessary to comply with the requirements of this subsection; and
- (iii) Is able to meet all of its financial obligations, including, but not limited to refunds that it is required to make as defined in agency rule; and
- (iv) Demonstrates at the end of its latest fiscal year, a ratio of current assets to current liabilities of at least 1:1; and
- (v) Had, for its latest fiscal year, a positive net worth. For the purposes of this section, a positive net worth occurs when the school's assets exceed its liabilities;
- (vi) In addition, the agency shall determine that a school is not financially viable, responsible or able to fulfill its commitments to students if a statement from an independent accountant expresses substantial doubt about the school's ability to continue operating.

~~(b)~~(c) Follow a uniform statewide cancellation of program policy and refund of tuition and fees policy as specified by the agency;

~~(e)~~(d) Disclose through use of a school catalog, brochure, or other written material, necessary information to students so that students may make informed enrollment decisions. The agency shall specify what information is required;

~~(d)~~(e) Use an enrollment contract or agreement that includes: (i) The cancellation and refund policy, (ii) a brief statement that the school is licensed under this chapter and that inquiries may be made to the agency, and (iii) other necessary information as determined by the agency;

~~(e)~~(f) Describe accurately and completely in writing to students before their enrollment prerequisites and requirements for completing successfully the programs of study in which they are interested and qualifying for the fields of employment for which their education is designed;

~~(f)~~(g) Comply with the requirements of RCW 28C.10.084;

~~(g)~~(h) Assess the basic skills and relevant aptitudes of each potential student to determine that a potential student has the basic skills and relevant aptitudes necessary to complete and benefit from

the program in which the student plans to enroll, including but not limited to administering a Department of Education approved English as a Second Language exam prior to enrolling students for whom English is a second language. Guidelines for such assessments and plans shall be developed by the agency, in consultation with the schools. The school shall report the method of assessment to the agency. The school shall maintain assessment records in the student's file. ~~The method of assessment shall be reported to the agency. Assessment records shall be maintained in the student's file;~~ In cases where basic skills or English language proficiency are not adequate for student success in a program, the private vocational school should inform the student and either provide basic skills or English as a Second language supplemental instruction to students who are enrolled in the program, or assist the student to access basic skills or English as a second language instruction through other means.

~~(h)~~(i) Discuss with each potential student the potential student's obligations in signing any enrollment contract and/or incurring any debt for educational purposes. The discussion shall include the inadvisability of acquiring an excessive educational debt burden that will be difficult to repay given employment opportunities and average starting salaries in the potential student's chosen occupation.

~~(2)(j) Any enrollment contract~~ Ensure that any enrollment contract shall have an attachment in a format provided by the agency. The attachment shall be signed by both the school and the student. The attachment shall stipulate that the school has complied with subsection (1)~~(h)~~ (i) of this section and that the student understands and accepts his or her responsibilities in signing any enrollment contract or debt application. The attachment shall also stipulate that the enrollment contract shall not be binding for at least five days, excluding Sundays and holidays, following signature of the enrollment contract by both parties.

(k) Comply with requirements related to qualifications of administrators and instructional personnel pursuant to section (4).

(2) The agency may deny initial application for licensure if a private vocational school does not meet the requirements pursuant to Section (3), subsection (1).

(3) The agency may determine a private vocational school is "at risk" if it demonstrates a pattern or history of one or more of the following conditions: (a) frequent substantiated student complaints are filed with the agency pursuant to RCW 28C.10.120; or (b) the school does not meet or exceed minimum requirements for licensure pursuant to subsection (1) of this section.

(4) When the agency determines that a private vocational school is "at risk" the agency:

- (i) Shall require the school owner and/or director to meet with agency staff to discuss the conditions;
- (ii) May require an outside audit of the school;
- (iii) Shall place the school on probation;
- (iv) Shall require the school to provide: (a) a school improvement plan that addresses deficiencies identified by the agency pursuant to subsection (1) of this section and acceptable to the agency within 30 days after meeting with agency staff; (b) a line of credit if appropriate; and (c) a monthly report, including student contact data, for up to 12 months.

(5) A private vocational school that is on probation shall demonstrate that it meets the requirements of subsection (1) of this section or the agency shall proceed with further action of license suspension or revocation. Unusual cause or circumstance shall be considered by the agency and exceptions may be granted.

~~(3) The agency shall deny, revoke, or suspend the license of any school that does not meet or maintain the minimum standards.~~

NEW SECTION. Sec 4.

Qualifications of administrative and instructional personnel.

(1) The education and experience of administrators, instructional personnel, and counselors employed by a private vocational school must be adequate to insure students shall receive educational services consistent with the stated program objectives.

(2) A private vocational school must file the qualifications of all administrators, instructional personnel, and counselors with the agency within thirty calendar days of their employment. The information must be submitted on forms provided by the agency.

(3) A private vocational school must establish and enforce written policies for the qualification, supervision, and periodic evaluation of administrators, instructional personnel, and counselors.

(4) Private vocational school directors must have at least two years of experience in either school or business administration, teaching, or professional employment related to their duties within the organization.

(5) Private vocational school instructional personnel must possess at least two years of work experience, postsecondary training, or a combination of both in the subject they instruct; or (a) Possess current evidence of being qualified to teach that has been issued by a regulatory agency of this or another state. (b) Under no circumstances shall students be allowed to substitute as instructional personnel.

(6) If a private vocational school uses teacher assistants, aides, or trainees, it must maintain policies governing their duties and functions. Such personnel may provide services to students only under the direct supervision of a qualified instructor. They may not act as substitutes for the instructor.

(7) Owners, administrators, faculty, agents, and other staff must be of good moral character and reputation. The agency may find that a person is not of good moral character and reputation if the person (i) has been convicted of any felony within the prior seven years; or a misdemeanor that involved any sexual offense or (ii) is found to have been charged with knowingly making any false statements in the application for a license.

(8) Each school must register its sales agents with the agency within thirty days, and meet provisions of registration as provided in agency rule.

NEW SECTION Sec. 5

Minimum program performance standards- Failure to meet minimum program performance standards

(1) The agency shall adopt by rule minimum program performance standards for private vocational school programs, including but not limited to performance measurements of student success.

(2) If a private career school program fails to meet minimum program standards the agency may identify the private vocational school program as "at risk" and place the program on probation for 12 months, and the school shall submit an improvement plan that is acceptable to the agency. If the program fails to meet minimum program standards in the subsequent 12 months it shall remain on the probation list. If the program fails in the third year then the agency shall withdraw approval for the program. Unusual cause or circumstance shall be considered by the agency and exceptions may be granted.

Sec. 6. RCW 28C.10.120 is amended to read as follows:

Complaints -- Investigations -- Hearings -- Remedies.

(1) Complaints may be filed under this chapter only by a person claiming loss of tuition or fees as a result of an unfair business practice. The complaint shall set forth the alleged violation and shall contain information required by the agency on forms provided for that purpose. A complaint may also be filed with the agency by an authorized staff member of the agency or by the attorney general.

(2) The agency shall investigate any complaint under this section and shall first attempt to bring about a negotiated settlement. The agency director or the director's designee may conduct an informal hearing with the affected parties in order to determine whether a violation has occurred.

(3) If the agency finds that the private vocational school or its agent engaged in or is engaging in any unfair business practice, the agency shall issue and cause to be served upon the violator an order requiring the violator to cease and desist from the act or practice and may impose the penalties provided under RCW 28C.10.130. If the agency finds that the complainant has suffered loss as a result of the act or practice, the agency may order the violator to pay full or partial restitution of any amounts lost. The loss may include any money paid for tuition, required or recommended course materials, and any reasonable living expenses incurred by the complainant during the time the complainant was enrolled at the school.

(4) The complainant is not bound by the agency's determination of restitution. The complainant may reject that determination and may pursue any other legal remedy.

(5) The violator may, within twenty days of being served any order described under subsection (3) of this section, file an appeal under the administrative procedure act, chapter 34.05 RCW. Timely filing stays the agency's order during the pendency of the appeal. If the agency prevails, the appellant shall pay the costs of the administrative hearing.

(6) In circumstances where there is an abrupt closure of a private vocational school the agency shall provide transition assistance to students. The agency shall establish rapid response protocol, including providing information to affected students about transfer options, financial aid discharge eligibility and procedures, labor market information, job search and placement assistance, and other transitions and support services.



Decision Package

DRAFT 10/5/05

Agency: 354 Work Force Train & Educ Coord Board

Decision Package Code/Title: AA Private Vocational Schools

Budget Period: 2005-2007, Supplemental

Budget Level: PL - Performance Level

Recommendation Summary Text:

This is a request for \$122,800 in General Fund State to support increased functions associated with changes to state oversight of private vocational schools related to WAC and/or statute changes.

Fiscal Detail

Operating Expenditures	<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
001-1 General Fund – Basic Account State	N/A	\$122,800	\$122,800
Total Cost	N/A	\$122,800	\$122,800

Package Description:

The Private Vocational School Act, outlined in RCW 28C.10, grants the Workforce Training and Education Coordinating Board (Workforce Board) authority to license private vocational schools (also known as private career schools) that wish to operate in the state. Recent abrupt closures of private vocational schools and effects on students drew attention to the need to create tighter accountability for these schools and additional student protections. The agency is developing new tools to help prevent closures, provide more warning to students of possible closures, and provide reasonable protections for students in the event of a closure. These changes would not impose unreasonable burdens on private vocational schools. The agency is also pursuing measures to ensure that schools offer quality programs. This request is to provide the Workforce Board with the capacity to oversee new accountability measures for private vocational schools, and new protections for students due to changes that will occur through rule changes, and/or in the event that proposed legislation passes in the 2006 session.

Statutory and/or WAC changes require the Workforce Board to:

- 1) Make changes to the current Private Vocational School Act e-Licensing database to include fields for performance results and data compliance tracking, and to link the e-Licensing database to the Research Team's data analysis database. This is a one-time cost of \$5,000
- 2) Collect and process data reports from the licensed private career schools. This increases current costs by \$20,000 per year.
- 3) Increase staff capacity by 1.0 FTE to assist with increased duties of oversight of private vocational schools.

Narrative Justification and Impact Statement:

The Workforce Board has developed agency request legislation for the 2006 Legislative session to provide authority to the agency to implement new accountability for schools and protections for students. The proposed statutory amendments would:

- 1) Define how a private vocational school demonstrates that it is fiscally viable and able to fulfill its commitments to students.

Impact on current state law: Current state statute requires schools to demonstrate fiscal responsibility to be eligible for licensure but does not define how a school will demonstrate such a requirement.

Decision Package

DRAFT 10/5/05

Agency: 354 Work Force Train & Educ Coord Board

Decision Package Code/Title: AA Private Vocational Schools

- 2) Require that a private vocational school program meets minimum performance standards related to student success in order to continue operating a program.

Impact on current state law: Current state statute sets out minimum requirements for licensure but does not include minimum performance standards related to student success.

- 3) Requires that a private vocational school demonstrates that qualifications of administrators, instructional personnel, and counselors are adequate to insure students receive educational services consistent with stated program objectives.

Impact on current state law: State administrative code defines how a private vocational school demonstrates that qualifications of administrators, instructional personnel, and counselors are adequate to insure students receive educational services that are consistent with stated program objectives. This provision would raise these requirements to statute, and add some requirements.

- 4) Create an early warning and intervention system for schools that are identified as "at risk" due to lack of fiscal viability and/or substantial, and frequent student complaints.

Impact on current state law: Current state law does not provide for an early warning and intervention system for "at risk" schools.

- 5) Provide the agency a process to place schools that are identified as "at risk" on probation, to be followed by suspension or revocation of license if the school does not improve.

Impact on current state law: Current state statute law does not outline a process for probation, suspension or revocation of licenses.

- 6) Provide transition services for students who are impacted by closures. These services include providing information on transfer options, financial aid, and job search and placement.

Impact on current state law: While current state law provides for a tuition recovery trust fund, it does not provide for transition services for students.

In addition, the agency will undertake changes to rules governing private career schools in 2006. These changes will further define the issues listed above.

The agency will need to increase the capacity of its program management and data analysis functions. Research analysis functions include two functions that will be contracted services:

- Making changes to the current Private Vocational School Act e-Licensing database to include fields for performance results and data compliance tracking, and to link the e-Licensing database to the Research Team's data analysis database.
- Collecting and processing data reports from the licensed private career schools.

Increased staff capacity of 1.0 FTE would:

- Provide technical assistance to individual private career schools regarding data reporting and performance results (help desk)
- Conduct periodic private career school training sessions on data reporting and performance results
- Assist the contractor in conducting the annual data collection
- Monitor accuracy and completeness of data reports
- Assist with and monitor appeals of performance results
- Develop and implement a rapid response plan for private career school closures
- Assist with monitoring of schools' adherence to minimum licensing standards
- Develop and implement a system for tracking "at-risk" schools' compliance with corrective action plan.

Decision Package

DRAFT 10/5/05

Agency: 354 Work Force Train & Educ Coord Board**Decision Package Code/Title: AA Private Vocational Schools****Performance Measure Detail****Activity: A005 Customer Involvement In Policy and Program Development**
Incremental Changes

No measures submitted for package

Reason for change:

As identified in the narrative, the state needs to increase private vocational school accountability and increase student protections in the event of an abrupt closure.

Impact on clients and services:

Increased accountability for private vocational schools, and increased protection for students.

Impact on other state programs:

None.

Relationship to capital budget:

None.

Required changes to existing RCW, WAC, contract, or plan:

None.

Alternatives explored by agency:

None.

Budget impacts in future biennia:

We are requesting \$122,800 for the 2005-2007, supplemental budget, to support additional functions associated with the Private Vocational School Act and changes to Washington's Administrative Code. The cost for the additional FTE will be on-going in future biennia.

Distinction between one-time and ongoing costs:

On-going for staff to support oversight and data gathering functions. Some contract services have a one time cost only for the supplemental budget.

Effects of non-funding:

Non-funding would mean the state does not have the capacity to oversee certain functions of private vocational career schools as addressed in the narrative description.

Decision Package

DRAFT 10/5/05

Agency:

354 Work Force Train & Educ Coord Board

Decision Package Code/Title:

AA Private Vocational Schools

Expenditure Calculations and Assumptions:

As identified in the narrative, the \$122,800 would fund the collection of data on private vocational schools, oversight of additional accountability for private vocational schools, and new protections for students related to changes in statute and WAC.

<u>Object Detail</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
A Salary	N/A	\$60,600	\$60,600
B Benefits	N/A	\$14,000	\$14,000
C Personal Service Contract	N/A	\$25,000	\$25,000
E/J Goods/Services	N/A	\$20,000	\$20,000
G Travel	N/A	\$3,200	\$3,200
Total Cost	N/A	\$122,800	\$122,800

**WASHINGTON STATE
WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD
SPECIAL MEETING NO. 105
OCTOBER 13, 2005**

EMPLOYER TRAINING TAX CREDIT LEGISLATION

Background:

In *High Skills, High Wages 2004: Washington's Strategic Plan for Workforce Development* (HSHW), expanding customized training is one of six strategic opportunities for the state's workforce development system. HSHW's Strategy 2.1.1 specifically calls for providing incentives to employers for this type of training and lists the Workforce Training and Education Coordinating Board as the lead agency to promote this strategy.

In the 2005 legislative session, Senate Bill 5918 and a House companion bill, HB 2032, were introduced by Senator Paull Shin and Representative Derrick Kilmer, respectively. These two bills would provide employers with 500 or fewer employees with a credit against the business and occupation tax or public utility tax for a percentage of their training costs. While the Senate bill was passed out of the Senate International Trade and Economic Development Committee, neither bill passed the Legislature.

Attached is a proposed resolution authorizing staff to submit agency request legislation to provide employer tax credits for incumbent worker training and the agency request package that would be submitted to the Office of Financial Management for review and approval by the Governor.

Conversations are being held with affected stakeholders in preparation for the board meeting. Additional information on stakeholder positions should be available at the meeting.

Board Action Requested: Adoption of the attached resolution.

Employer Training Tax Credit Resolution

WHEREAS, Objective 2.1 of High Skills, High Wages, 2004 calls for increasing economic competitiveness and preventing dislocation by expanding customized incumbent worker training; and

WHEREAS, Strategy 2.1.1 of High Skills, High Wages, 2004 calls for providing incentives to employers for incumbent worker training; and

WHEREAS, High Skills, High Wages, 2004 calls for the Workforce Training and Education Coordinating Board to take the lead on implementing Strategy 2.1.1; and

WHEREAS, key legislators have indicated an interest in providing employer tax credits for incumbent worker training;

NOW THEREFORE BE IT RESOLVED THAT the Workforce Training and Education Coordinating Board hereby approves the submittal of proposed legislation to the Governor to provide employer tax credits for incumbent worker training.

**LEGISLATIVE PACKAGE –
WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD**

Agency Name: Workforce Training and Education Coordinating Board

Agency Contact and Phone Number: Wes Pruitt (360) 586-1652

Request Title: Training Tax Credit

Z-Draft Number: Z-0788.1/06

Need for Legislation:

A 2003 survey by the Workforce Training and Education Coordinating Board (Workforce Board) found that 45 percent of employers attempting to hire had difficulty finding qualified job applicants in the previous 12 months. More than 67 percent of employers who tried to find job applicants with a vocational degree or certificate from a community or technical college or private career school had difficulty finding such workers. The board found that employers believe that skill shortages are hurting the economy by limiting business expansion, lowering productivity, and reducing product quality, yet businesses often lack the incentives and resources to provide training. A tax credit would help employers by lowering the cost of developing the skills of new workers who may not have fully had the skills employers were seeking in job applicants.

Nationally, most estimates are that employers invest about two percent of payroll on employee training. Research by the Workforce Board and national research show that employers are more likely to provide training to management and professional employees than to frontline production workers.

According to a survey conducted by the American Society for Training and Development, total training expenditure per employee rose from \$649 in 2000 to \$826 in 2002. The National Association of Manufacturers' Board of Directors has called on all 14,300 member companies to invest three percent of payroll on training. Studies have found that investments in employee training pay off in terms of increased productivity and profits. According to a 1995 study by the University of Pennsylvania, investing in the skills of workers has more than twice the impact on productivity as investing in equipment or facilities.

Incumbent worker training is part of a continuum of workforce development. By enhancing the skills of workers who are currently employed, businesses are more competitive. If Washington businesses are successful in upgrading the skills of incumbent workers, it will have gone a long way to prevent worker dislocation. A study conducted for the Workforce Board found that Washington workers who are dislocated experience a permanent loss of 15 percent of their earnings, compared to similar workers who are not dislocated.

Summary of Bill Provisions:

Employers with 500 or fewer employees may take a credit against the state's business and occupation tax or public utility tax of 60 percent of their qualified training costs in rural counties

or 40 percent of their training costs in non-rural counties, up to \$250,000 per calendar year. Qualifying costs are those that exceed the employer's average annual training expenditures over the preceding three years. No credits are awarded for training costs greater than \$5,000 per employee.

To receive the credit the employer must have a training contract with a community or technical college or a licensed private vocational school to train at least five people, which may include employees from other firms.

The tax credits are available in the order applications are received up to a maximum of \$10 million per biennium. Firms in rural counties may not receive this credit if they take a training credit available under another provision of state law.

Agencies Affected:

<u>Agency</u>	<u>Position</u>	<u>Name</u>	<u>Phone</u>
Department of Revenue	Pending	Julie Sexton	(360) 570-6135

Stakeholders Affected:

<u>Stakeholder Org.</u>	<u>Position</u>	<u>Name</u>	<u>Phone</u>
Wash. State Labor Council	Pending	Rick Bender	(206) 281-8901
Assn. of Wash. Business	Pending	Mike Hudson	(360) 943-1600

Staff Contacts:

Wes Pruitt, Legislative Liaison (360) 586-1652
Bryan Wilson, Associate Director (360) 753-0891
Terry Ryan, Assistant Attorney General (360) 586-0727

Code Reviser Draft: See enclosed Z-0788.1/06

Fiscal Note: Enclosed is the Department of Revenue's fiscal note.

BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-0788.1/06

ATTY/TYPIST: SCG:seg

BRIEF DESCRIPTION: Providing economic development tax credits for employee training.

AN ACT Relating to economic development tax credits for employee training; adding a new section to chapter 82.04 RCW; adding a new section to chapter 82.16 RCW; and providing an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

1. NEW SECTION. **Sec.** A new section is added to chapter 82.04 RCW to read as follows:

(1) A person whose application has been approved by the department under this section may take a credit against tax imposed by this chapter, subject to the limitations in this section. The credit under this program is only available to persons with five hundred or fewer employees in the state.

(2)(a) The credit under this section is equal to sixty percent of the amount of qualifying costs made in rural counties, as defined in RCW 82.14.370, or forty percent of the amount of qualifying costs made in nonrural counties. A person shall not receive credit for more than five thousand dollars for qualifying costs per employee

per calendar year. A person shall not receive total credits over two hundred fifty thousand dollars per calendar year. A person may only receive credit for amounts expended on job classes covered by the minimum wage provisions of the federal fair labor standards act.

(b) As preconditions to approval by the department under subsection (4) of this section, the person must:

(i) Have entered into a training contract with a qualified training institution; and

(ii) Show that the training costs during the year for which a credit is requested exceed the person's average annual training expenditures over the past three years on the job classes covered by the minimum wage provisions of the federal fair labor standards act.

(3) Training contracts must be for the training of at least five employees. If an employer does not have five employees to train, the person may coordinate with other employers who have identical training needs to create groups to meet the five person threshold.

(4) Application for credits under this section shall be made to the department in a form and manner as required by the department. The application shall include a statement affirming the person's compliance with this section. The department shall approve or deny application for credits using the criteria under this section. The department shall require the person receiving approval to keep records necessary for the department to verify eligibility under this section. A person shall apply for the credit after making an expenditure. Tax credit applications shall not be approved for expenditures that occurred before the effective date of this section.

(5) Tax credits are available on a first-come basis, with priority based on the date and time the application is received by the department. The total of credits granted under this section and section 2 of this act shall be no more than ten million dollars per biennium. The department shall keep a running total of all credits approved. If the amount submitted for a credit will cause the cap to be exceeded, the department shall give a partial approval of the

application, equal to the amount of remaining credit available for the fiscal year.

(6) No person is eligible for tax credits under this section in excess of the amount of tax that would otherwise be due under this chapter. Approved credit may not be carried over to subsequent calendar years. The credit must be claimed by the due date of the last tax return for the calendar year in which the payment is made. Any unused credit expires. Refunds shall not be given in place of credits.

(7) If a person has used a credit granted under this section against tax due under chapter 82.16 RCW the person may not use the same credit for tax due under this chapter.

(8) A person who takes credits under RCW 82.04.4333 may not take a credit under this section for the same training.

(9) The definitions in this subsection apply throughout this section.

(a) "Employer" means the same as "person."

(b) "Qualifying costs" means those employee training expenditures that exceed the employer's average annual employee training expenditures over the previous three calendar years and are direct payments made under a contract with a qualified training institution for formal technical or skill training, including work force and basic skill training. The term includes amounts in the contract for costs of instruction, materials, equipment, rental of class space, and overhead. "Qualifying costs" does not include employee tuition reimbursements unless the tuition reimbursement is specifically included in a contract under subsection (2)(b) of this section.

(c) "Employee" means a person working in a job class covered by the minimum wage provisions of the federal fair labor standards act.

(d) "Qualified training institution" means a public community or technical college, or a private vocational school licensed by either the work force training and education coordinating board or the higher education coordinating board.

1. NEW SECTION. **Sec.** A new section is added to chapter 82.16 RCW to read as follows:

The tax credit program under section 1 of this act is available to persons for tax due under this chapter. If a person has used a credit granted under this section against tax due under chapter 82.04 RCW, the person may not use the same credit for tax due under this chapter. A person who takes credits under RCW 82.04.4333 may not take a credit under this section for the same training.

2. NEW SECTION. **Sec.** This act takes effect July 1, 2006.



Department of Revenue Fiscal Note

Bill Number: 5918 SB	Title: Employee training tax credit	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(5,000,000)	(5,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
Total \$	(5,000,000)	(5,000,000)	(10,000,000)	(10,000,000)	(10,000,000)

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.6	0.0	0.3	0.0	0.0
Fund					
GF-STATE-State 001-1	52,000	500	52,500	1,000	1,000
Total \$	52,000	500	52,500	1,000	1,000

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact: Michael Herman	Phone: 3607867409	Date: 02/14/2005
Agency Preparation: Skeets Johnson	Phone: 360-570-6075	Date: 02/15/2005
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 02/15/2005
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/16/2005



Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1.

(1) Authorizes a credit against business and occupation taxes, subject to limitations addressed below. Credit is only available to companies with 500 or fewer employees in the state.

(2)(a) Credit is equal to 60 percent of the amount of qualifying costs made in rural counties as defined in RCW 82.14.370 or 40 percent of the amount of qualifying costs made in nonrural counties. The credit is limited to \$5,000 for qualifying costs per employee per calendar year and no person shall receive total credits exceeding \$250,000 per calendar year. Credits are only available for amounts expended on job classes covered by the minimum wage provisions of the federal fair labor standards act.

(2)(b) Revenue approval requires (i) having entered into a training contract with a qualified training institution; and (ii) showing that the training costs during the year for which a credit is requested exceed the person's average annual training expenditures over the past three years for the job classes covered by the minimum wage provisions of the federal fair labor standards act.

(3) Requires that training contracts must be for the training of a minimum of five employees. It also allows an employer who does not have five employees to train to coordinate with other employers with identical training needs to create groups to meet the five employee threshold.

(4) Requires the person to file an application for the credit with the Department and the Department must approve or deny the application. No approval can be given for expenditures incurred prior to the effective date of this act.

(5) Credits are available on a first-come basis. The total credits granted under this section and section 2 shall not exceed \$10,000,000 per biennium. The Department will monitor this amount to ensure that it is not exceeded.

(6) No person can take a tax credit in an amount exceeding the amount of tax due under this chapter. The credit for any calendar year must be claimed by the due date of the last tax return for that calendar year. Credits cannot be carried over nor will refunds be granted.

(7) If a person uses a credit granted under this section against tax due under chapter 82.16 RCW, then the person may not use the same credit for tax due under this chapter.

(8) A person taking a credit under RCW 82.04.4333 may not take a credit under this section for the same training.

(9) Defines (a) employer the same as person; (b) qualifying costs as those employee training expenditures which exceed the employer's average annual employee training expenditures over the past three calendar years and are direct payments made under a contract with a qualified training institution. The definition does not include employee tuition reimbursements unless tuition reimbursement is specifically included in the contract required in (2)(b) above; (c) employee as a person working in a job class covered by the minimum wage provisions of the federal fair labor standards act; (d) qualified training institution as a public community or technical college or a private vocational school licensed by either the Work Force Training and Education Coordinating Board or the Higher Education Coordinating Board.

Section 2. Makes available the tax credit program of Section 1 to chapter 82.16 RCW. However, if a person takes the credit under chapter 82.04 RCW, it cannot claim the same credit for tax due under this chapter. Also, persons taking credits under RCW 82.04.4333 may not take a credit under this section for the same training.

Section 3. Provides an effective date of July 1, 2005.



II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

A review of 2001- 2003 employment history indicates that between 8,000 and 12,000 employers with less than 500 employees added employment that exceeded their three year average employment level (and therefore exceeded average training costs). The level of employment above the average was 66,000 to 100,000 employees per year. If it is assumed that training costs would be about \$1,000 per employee and average credit percent is 48 percent, then the total potential business and occupation credit would be four to seven times the level of the \$5 million annual program cap provided in the proposal.

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

Given the above assumptions, the business and occupation credit provided by the proposal would be at the maximum cap of \$5 million per year. Therefore, the 2005-2007 impact would be a revenue loss of \$10 million.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2006 -	\$ (5,000)
FY 2007 -	\$ (5,000)
FY 2008 -	\$ (5,000)
FY 2009 -	\$ (5,000)
FY 2010 -	\$ (5,000)
FY 2011 -	\$ (5,000)

Local Government, if applicable (cash basis, \$000): None.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

This legislation takes effect July 1, 2005

To implement this legislation, the Department will incur costs of approximately \$52,500 during the 2005-2007 Biennium. Fiscal year 2006 costs include:

1. 0.01 FTE at a Financial Analyst level (representing 12 hours) to update and review financial reports and accounting records.
2. 0.1 FTE (rounded) at an Excise Tax Examiner 2 level (representing 112 hours) to monitor credit and caps and test cap screen.
3. 0.01 FTE at an Office Assistant level (representing 5 hours) to key addendums.
4. 0.04 FTE at an Info Tech Sys Spec 4 level (representing 82 hours) to design, implement, and test new addendum.
5. 0.02 FTE at a WMS II level to assist in design and implementation of new addendum.
6. 0.1 FTE (rounded) at an Excise Tax Examiner 3 level (representing 100 hours) to test the e-file application.
7. 0.42 FTE at an Info Tech App Spec 4 level (representing 790 hours) to modify credit tracking systems and create reports.
8. \$6,200 related to consultant costs for the design of new addendum.

The Department will incur ongoing costs of approximately \$500 during fiscal year 2007 and \$1000 during the 2007-2009



and 2009-2011 Biennia. Ongoing costs relate to the Financial Analyst 5, Excise Tax Examiner 2, Office Assistant, and the Info Tech Sys Spec 4 discussed in 1-4 above.

Without an appropriation to cover the expenditure impact, the Department may not be fully able to implement the legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.6	0.0	0.3	0.0	0.0
A-	30,200	400	30,600	800	800
B-	7,600	100	7,700	200	200
C-	6,200		6,200		
E-	4,000		4,000		
J-	4,000		4,000		
Total \$	\$52,000	\$500	\$52,500	\$1,000	\$1,000

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
EXCISE TAX EXAMINER 2	34,932	0.1	0.0	0.0	0.0	0.0
EXCISE TAX EXAMINER 3	41,520	0.1		0.0		
FINANCIAL ANALYST 5	49,380	0.0	0.0	0.0	0.0	0.0
INFO TECH APP SPEC 4	51,864	0.4		0.2		
INFO TECH SYS SPEC 4	51,864	0.0	0.0	0.0	0.0	0.0
OFFICE ASSISTANT	25,200	0.0	0.0	0.0	0.0	0.0
WMS II	61,600	0.0		0.0		
Total FTE's		0.6	0.0	0.3	0.0	0.0

Part IV: Capital Budget Impact

NONE.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department of Revenue will use the standard process to amend WAC 458-20-240-Manufacturer's new employee tax credits. The Department will not incur an additional cost because it is currently in the process of amending this rule and will incorporate this legislation as necessary.

